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To learn or not to learn...

I found this quote in the spring 2003 issue of Ontario Golf magazine. "Golf is the most over-taught and least-learned human endeavour: If they taught sex the way they teach golf, the human race would have died out years ago." The author is former LA Times columnist Jim Murray.

I chuckled when I read this. Partly because this is true for everyone I know, including myself, and partly because I thought an appropriate variation on this would be to suggest that "if money were taught this way, we would all have gone broke years ago."

Then it hit me. Money is taught this way! This is why everyone feels broke! I immediately stopped laughing.

Golf is a most humiliating and most contradictory game. It looks simple. Clearly it's not. Every piece of instruction initially appears to make vast improvements to your game. Ultimately however, the old habits resurface and what starts out as an improvement ends up being a setback sometimes a substantial one as the old swing and new swing combine to make a spectacularly awkward non-swing.

Money, surprisingly, is often the same. It appears simple. Spend less than you earn. Invest regularly. Diversify. Leave your investments alone. It's really that simple. Really. But just try it. If it isn't hard enough spending less than you make (the average Canadian spends 103% of

their income), just try finding an investment that you can "leave alone". It's near impossible. At some point along the way something (or everything) in your portfolio will appear wrong. You will switch. Most likely you will regret.

This is why, despite the hundreds of books, countless magazine articles, ongoing seminars and other forms of financial training that are multiplying exponentially, most remain, financially, where they started, and money continues to be our number one problem. Can we learn this stuff? Perhaps the real question is should we?

In golf, the best games invariably occur when we find ourselves "in the zone". In these instances, words best to describe what's going on include, confident, relaxed, and not thinking. That's right, not thinking. We aren't worried about how to make the shot, we simply are confident that we will make the shot we imagine. We see it, and do it.

In my experience people who have the most success financially (they don't always have the most money but they always have more than enough), fit a similar description. They are relaxed. They don't panic when things appear to be going wrong, but instead remain confident that things will right themselves, as they always have. They spend a few minutes when we meet "thinking" about money, making decisions, if any need to be made, and then they go back to their lives. These people live in the

"zone" financially.

Can we all get there? Hard to say. There is an entire industry dedicated to not allowing that to happen. New, mostly non-essential and very distracting information is coming at us with increasing frequency, and as a society we are lapping it up. We are gradually becoming convinced that it is our responsibility to become experts at money, so the books, seminars, television shows, and magazines multiply like rabbits. All the while, it would appear we are peddling backwards.

The sad truth is this isn't something you can learn, or train for, or read in a book and apply. This involves rewiring your mind and programming yourself in a way that contradicts the majority of influences you will face day to day. This is something you simply must do. Nike has it right. Create your plan and your strategy and then just do it. Don't get derailed. Don't think about the plan at all until the next review. Stay on course. Smile a lot. And when someone tries to engage you in a conversation about the merits of the investment du jour, smile and say, "at the moment I'm not thinking about money". One thing is certain. They will immediately presume you are wealthy. Say this with conviction, and you will be.

If you see me on the golf course this summer, I won't be thinking about golf or money. Hopefully, I'll be smiling.

Bill

Stuck forever in the 70's.

I have a confession. It would appear that musically at least, I am incurably stuck in the 70's. I realize that unless I am willing to expand my musical tastes, I may soon be unable to experience the rush that comes with finding a new artist or album that you just love, and playing it over and over and over again until, well, you eventually just like it, sort of. I miss that feeling.

For some time now, this experience has in fact been coming via 70's music! I have discovered artists, mostly the harder rock genre, that I avoided in the 70's and have recently grown to love. Q107 has been my "new rock" station. But alas, with a finite list of artists and albums to select from, recently I realized that I am running out of "new" artists from the 70's as well. I need to move forward.

I turned for help to my 14 year old daughter, Deandra. She too has an ear for "classic rock", but also is an avid fan of many new artists, some of which I have found to be pretty good. I asked her for some suggestions. She mentioned a couple of artists and off I went to HMV to give a listen and make a purchase or two. I

listened to enough of about 8 or 9 new CDs to determine that most of them just wouldn't cut it. There's too much "noise" in so many of today's rock artists that I just don't think I'm going to get used to. But one CD held promise. I boldly took my selection to the check out and proudly presented it to the twenty something year old clerk hoping he would notice that a graying man in a business suit was buying a brand new CD. He seemed unfazed.

Over the course of the next couple of days I fell in love with this new music. I have finally found a CD, produced and recorded in the 21st century, that is getting plenty of airtime in the car. The CD? "Say You Will," by Fleetwood Mac.

Hmm. I hear you. New rock yes, but by a classic (aka 70's) rock artist. It actually does sound a little like Rumours.

This is worse than I thought.

Bill

"That 70's Dance" Saturday September 27th, 2003

After the enormous success of last year's charity dance we are once again pleased to host "That 70's Dance" in support of Girls Incorporated (formerly Big Sisters of York). Call us now, or log onto our website www.bellfinancial.ca to purchase your tickets still only \$50 per person. Our evening will once again

include 70's music from DJ Randy Mullin, a late night buffet, retro dress (optional), and tons of fun and prizes. This year's event is at the Newmarket Community Centre. We are also looking for prizes and sponsors. Help us out, and have some fun! Call now, we expect to sell out!

Want to make your mortgage tax deductible?

If you've heard the radio ad recently promoting a method of making your mortgage tax deductible, you've been introduced to the "Smith Manoeuvre". Fraser Smith is a BC resident who developed a simple idea enabling anyone to transform non-deductible mortgage debt into deductible investment debt. Last year he published a book and the idea has been spreading like wildfire across the Canadian financial community. It's not for everyone since it does involve leveraging to invest. And for most people it takes many years to completely transfer your debt. Still, in the heavily taxed society we live in it's nice to find a creative and completely legal way of cutting our taxes!

In simple terms, the basic "manoeuvre" works like this. As the principle on your mortgage is being

reduced, you systematically re-borrow the same amount to invest. Now, part of your debt is tax deductible. By applying the tax savings to your mortgage and in turn re-borrowing greater and greater amounts your systematic transfers accelerate and in much less time than you would have been "out of debt", you now instead have the same amount of tax deductible debt, with a matching investment (plus or minus growth).

Want to find out more? Call us! Or, you can log onto Fraser's website www.smithman.net and better still, join us for a seminar in September discussing how this idea can be implemented best using the flexible mortgage product, Manulife One. Call us for details regarding when and where!

Capital gains and the family cottage

When I think about the summer, my mind wanders past the bumper to bumper traffic on the 400 highway to a calm and peaceful waterfront bay overlooking a charming, tranquil island of rocks and trees. The moment of arrival immediately brings about a welcomed amnesia from the drive. After 6 years of camping and calling ourselves “property” owners, we are delighted to be graduating to a cottage with running water and electricity. Of course, along with being a cottage owner comes plenty of added responsibilities...the least of which will undoubtedly include extra cooking and cleaning. Needless to say those are not my strong suits and so I choose to overlook them for the moment. It is no surprise that my first and foremost thoughts would turn to capital gains taxes. After investigating our options, I thought it would be timely to pass some of them along. As we all search for the best way to invest our hard earned dollars, we must never forget the effect of the “taxman”.

The first thing we must do is keep good records. We may be able to choose at some point if we want to claim our house or our cottage as our principal residence and this choice may depend on which property has increased in value the most. To do this tax efficiently, we must maintain records of our cost base for both properties and therefore keep receipts for all capital improvements that we do. All of these receipts will keep our cost base up and our eventual tax bill down. If we choose to never sell the cottage, our long-term consideration will be how we pass the cottage on to our 3 children. I discovered that we wouldn't do the following:

A) add a joint owner, thereby triggering a partial deemed disposition

B) gift the cottage, thereby triggering a deemed disposition

C) sell the property for less than fair market value, causing double taxation

For example, if our cottage is valued at \$300,000 today and in 20 years it is worth \$500,00, we will have a capital gain of \$200,000 (assuming we do not do any capital improvements over that time).

A) If we add a joint owner, we will have been deemed to have disposed of half and owe gains tax on \$100,000. The remaining tax will be due upon our death.

B) If we gift the property to someone, we will be deemed to have disposed of the whole property and be taxed on the entire \$200,000.

C) And worst of all, if we sell for less than fair market value, let's say \$300,000, we will be deemed to have disposed of it at fair market value and owe capital gains on \$200,000, but the new owner will now have a cost base of \$300,000 and will have to pay taxes all over again when they sell.

It turns out there are few ways of getting around the “taxman”. So in order to ensure a smooth and proper transfer of our cottage, at some time in the far and distant future (I hope!), our best solution will likely be a joint-and-last-to-die insurance policy. This policy can provide sufficient tax-free dollars to pay for the capital gains taxes as well as paying the cottage expenses for a given period of time to ensure the burden does not become a problem for our children...financially or otherwise. When you have a plan, the view just keeps getting better.

Tracey Hough

Great Minds, Great Thoughts

“And now here is my secret, a very simple secret: It is only with the heart that one sees rightly; what is essential is invisible to the eye.”

Antoine De Saint-Exupery, The Little Prince

“All our reasoning ends in surrender to feeling.”

Blaise Pascal

“What you intuitively desire, that is possible to you.”

D.H. Lawrence

Tending the Back Forty

I will be celebrating a birthday in a few days, and, no, I don't mind telling you that I'll be turning forty-three. Men aren't supposed to be concerned by the onset of middle age. Society makes allowances for our hair thinning (or disappearing), our waistlines expanding beyond the cozy confines of our jeans. Men are measured by our greater contributions, aren't we? The fact that we can no longer touch (or see) our toes shouldn't trouble us. The problem is: I'm not buying it. Call me vain if you wish, but I'm not ready to slip into the comfy slippers of my middle years just yet.

I'm not talking about anything radical here; after all, I haven't slipped so far beneath the waves that I can't still see the shoreline. I have noticed, however, that the connections to my youth are less secure, more tenuous, particularly where athletic activity is concerned. I am not so naïve as to think that people don't slow down over time. When my kids sprint from the car to soccer practice, they find that I'm far in the distance, motioning to them to go ahead, that I'll be along in a minute. It's pathetic, really. The difficult part for me to come to grips with is that I have reached a stage of life where I suddenly have to fight to hold on to what was always just *there*. From catching a deep fly ball on the dead run to steering the car with my knees while devouring a submarine sandwich, that which had seemed effortless has become a struggle.

Nowhere has my battle with the march of time become more evident than on the tennis court. For over thirty years, tennis has been a sport that, comparatively speaking, has always come easily to me. Although I never went very far competitively (jittery nerves proved to be my undoing in tournaments), I reached a skill level that enabled me to hold my own against some solid players, and, during my university years, impressed a number of women, one of whom actually married me.

A few months prior to my fortieth birthday, I approached the teaching professional at my club with an idea that had been percolating in my head over the winter: I wanted to enter a number of O.T.A. (Ontario Tennis Association) sanctioned tournaments in the over-40 division. After hastily scratching out some figures on a notepad (likely calculating how much he needed to charge me to complete the pool and patio project in his backyard), he said it sounded like a great idea and offered to help me by increasing the tempo and intensity of our weekly sessions. After our first few workouts, I worried that perhaps I had bitten off more than I could chew. I emerged from each session looking like a rag doll that had been shredded by the family dog. He had taken me out of my comfort zone and exposed many of the weaknesses in my game and in my level of fitness. I was sore all over, but it was my ego that had taken the biggest pounding. My game wasn't nearly as good as I had remembered it to be, and I privately expressed real doubt as to

whether it was within me to reach the levels I needed to reach if I was to truly compete.

For weeks I wondered why I was so bothered by my poor performance. In hindsight, I think it was the first time that I felt that more tennis and less pasta could not by themselves heal my wonky game and, by extension, my bruised self-image. I had always gotten by on a reasonable amount of talent and ability (and, failing that, on some rather dubious line calls), and as a result had often cut corners in the effort department. Something had changed to tip the balance out of my favour, and I suspected that it was the hand of Time with his thumb on the scale. I had a choice: I could resign myself to the sidelines, reliving memories of past glory (real or imagined), or I could work like hell to offset the erosion in my game. I chose the latter.

I worked out at the gym. I ate less pasta. French fries were a strict no-no. I started training with twenty-somethings who loped effortlessly across the court, answering my shots with winners. I lost weight, added muscle where I don't believe I had ever seen it before and I was playing better, but I was miserable just the same. I simply couldn't reproduce the game that I thought I could play, that I once played, too long ago.

Why did I need to recapture that image of my past? Was I really that hung up about becoming middle-aged? My life at forty was, overall, pretty darned good: I had everything that I really wanted. Was my life twenty years ago, at the peak of my tennis career, as fulfilling? Let's see, I had no real job to speak of, I was just beginning the first of many, many years of student loan repayment installments and that blemish problem just wouldn't go away. And those tennis shorts were way too tight.

In the end, I played in those over-40 tournaments and lost in the first round in each of them (still haven't shaken those jitters, it seems). I am currently playing club tennis twice a week, still striving to improve, still searching for the perfect topspin lob. My playing partners are around my age; I'll leave the twenty-somethings to lope effortlessly with the others in their herd. I'd like to think that middle age will offer its own challenges, its own rewards, and maybe occasionally a French fry or two.

David Frank

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